



# Small Business Advisory Council

## Recommendations for Small Business Growth



City of Chicago  
Mayor Rahm Emanuel



# Letter from the Small Business Advisory Council



Small businesses are the backbone of our economy. They provide our communities with goods and services, jobs, and gathering places. Small business owners are stewards who invest in our neighborhoods. They ignite the entrepreneurial spirit in others to pursue their dreams of starting and growing a business.

As the Mayor's Small Business Advisory Council, we worked in collaboration with various Neighborhood Business Development Centers, businesses, and community stakeholders to develop these recommendations for the Mayor's small business growth agenda to strengthen the ties between entrepreneurs and their communities, support our youth entrepreneurs and neighborhood workforce, and position the City of Chicago as a champion of small business.

We realize there is always more we can do. That's why we assembled a thoughtful, committed team of small business leaders to help the City think through these issues. We've taken a fresh look using new data to help us make more informed decisions about how we support small businesses in Chicago. We developed recommendations along four priority areas that are critical to the City's small business success:

- ▶ **Reducing Red Tape.** Build upon key milestones from the first four years, including the launch of the Small Business Center, reduction of business license categories by 60 percent, elimination of the head tax, and the launch of the Restaurant Start-up Program.
- ▶ **Expanding Access to Capital.** Leverage success of the Chicago Micro-lending Institute and Small Business Opportunity Centers to reduce barriers for small businesses to access needed capital resources.
- ▶ **Promoting Innovation and Entrepreneurship.** Enhance connections between Chicago's robust network of innovation-driving resources, neighborhood small businesses, and entrepreneurs.
- ▶ **Increasing Support Resources.** Expand access to resources that support small business growth and advocate for small business success.

Although much has been achieved since 2011, we have more opportunities to support small businesses. Our thanks goes to Mayor Emanuel for his unwavering commitment to ensuring City Hall is a partner and a resource to small businesses in every part of the city. We will continue to work together and make Chicago a stronger, more equitable, and thriving community.

Sincerely,

**Mayor Emanuel's Small Business Advisory Council**

In August 2015, Mayor Emanuel appointed the Small Business Advisory Council (SBAC) to develop a small business growth strategy for the City of Chicago in the second term. The council was tasked with targeting strategies in four key areas:

- Reducing Red Tape
- Expanding Access To Capital
- Promoting Innovation and Entrepreneurship
- Increasing Support Resources

The appointment of the Council was one of the recommendations made by the Mayor's Second Term Priorities Committee.

The committee has recommended 11 initiatives to support small businesses and encourage continued economic growth in the city.

### ► Reducing Red Tape

1. Enhance the Small Business Center to become even more of a one-stop-shop for small businesses
2. Create transparent processes
3. Foster a culture that encourages small business success

### ► Expanding Access to Capital

4. Link small businesses to technical assistance
5. Encourage good practices in the lending space

### ► Promoting Innovation and Entrepreneurship

6. Connect corporate partners to neighborhood small businesses
7. Better support the freelance and maker economies
8. Encourage youth entrepreneurship

### ► Increasing Support Resources

9. Expand successful support resources
10. Connect neighborhood businesses to resources
11. Encourage small businesses to hire qualified workers from within their community

The City cannot accomplish this list on its own. In implementing these ideas, the City and the SBAC will continue to engage businesses, conducting extensive outreach across the city to tailor strategies and generate new ideas. The City will utilize its partners to help accomplish these goals build ownership among local stakeholders to help complete this list of initiatives.



Chicago has made great progress since the recession. Nearly 92,000 jobs have been added in the city since Mayor Emanuel took office, compared to 60,000 lost in the four years prior. In 2015, Chicago posted the second highest number of local businesses ranking on the Inc. 5000, an annual ranking of the nation's fastest growing small businesses. To continue to the City's proactive approach to supporting the needs of a thriving local economy, Mayor Emanuel appointed the Small Business Advisory Council to develop recommendations along four priority areas that have been critical to the city's small business success in the last four years:

- **Reducing Red Tape.** Build upon key milestones from the first four years, including the launch of the Small Business Center (see sidebar), reduction of business license categories by 60 percent, elimination of the head tax, and the launch of the Restaurant Start-up Program.
- **Expanding Access to Capital.** Leverage success of the Chicago Microlending Institute and Small Business Opportunity Centers to reduce barriers for small businesses to access needed capital resources.
- **Promoting Innovation and Entrepreneurship.** Enhance connections between Chicago's robust network of innovation-driving resources, neighborhood small businesses, and entrepreneurs.
- **Increasing Support Resources.** Expand access to resources that support small business growth and advocate for small business success.

Building on these accomplishments, the Mayor's Office, the city's Chief Small Business Officer, and Small Business Center staff conducted outreach to neighborhood businesses and chambers of commerce to create the second term small business growth strategy. Over 100 businesses participated in 5 small business roundtables in Lincoln Square/Ravenswood, Beverly/Roseland, Austin/West Humboldt Park, Belmont-Cragin area, and Woodlawn/Marquette. At each roundtable, participants discussed their challenges owning a small business and spoke about the resources they need to succeed.

After these meetings, feedback was collected and shared with the Small Business Advisory Council. Incorporating feedback provided directly from businesses, the Small Business Advisory Council developed the following strategy, highlighting the top issues facing today's small businesses.



### ► Council members:

- Gerry Alvarado, Geralex, Inc.
- Jonathan Brereton, Accion
- Lori Brown-Carter, Soul Vegetarian Restaurant
- Pedro J. Cevallos-Candau, Primera Engineers, Ltd.
- Ken Coates, KenTech Consulting
- Steve DeBretto, Industrial Council of Nearwest Chicago (ICNC)
- Emilia DiMenco, Women's Business Development Center
- Omar Duque, Illinois Hispanic Chamber of Commerce
- John Flavin, Chicago Innovation Exchange
- Ty Fujimura, Arami Restaurant
- Cheryl Freeman Smith, Olive Harvey College
- Emmanuel Jackson, Evanston Technology Partners
- Melinda Kelly, Chatham Business Association
- Sam Ma, BBQ King House
- Marianne Markowitz, Small Business Administration
- Mary O'Connor, Former Alderman, Unforgettable Edibles
- Daniel Pikarski, Gordon & Pikarski
- Maria Pinto, M2057 boutique
- Ellen Shepard, Andersonville Chamber of Commerce
- Sam Toia, Illinois Restaurant Association
- Stu Zirin, Minibar Chicago

**The SBAC thanks the following organizations for hosting roundtables that also informed the creation of this strategy:**

- Austin Chamber of Commerce
- Belmont-Cragin Chamber
- Bethel New Life
- Beverly Area Planning Association
- Greater Roseland Chamber
- Greater Southwest Development Corp.
- Latin American Chamber of Commerce
- Lincoln Square Ravenswood Chamber
- Polish American Chamber
- Ravenswood Community Council
- Sunshine Gospel Ministries
- West Humboldt Park Development Council



### ► Small Business Center

Launched in 2013, the Mayor launched the Small Business Center as a “One Stop Shop” with the vision of service business needs in one location, with one Business Consultant. Thanks to the partnership with the Department of Health (DOH), Zoning, and Department of Buildings (DOB), the City is able to streamline small business interactions with city government and serve as the nexus for new programs and resources, the Small Business Center offers assistance to owners and entrepreneurs through every step of the permit and licensing process.



The Small Business Solution Station located at City Hall provides business owners the opportunity to have one-on-one consultations with BACP partner organizations to access opportunities such as business plan development, transactional legal services, and financial coaching. The Permit Intake Center at the SBC also allows business operators to submit related permit applications along with or independent of their business license applications.

In addition to its physical location at City Hall, BACP launched the Small Business Center website ([cityofchicago.org/SBC](http://cityofchicago.org/SBC)) to enhance access to information for businesses and share services and resources throughout the city and holds multiple Small Business Expos throughout the year to bring the Center’s resources into neighborhood locations throughout the city.

Chicago is home to many fast-growing businesses, and it is necessary to make it easy for them to access city services. A key insight from neighborhood roundtables conducted in conjunction with this strategy is the continued frustration of small business owners and residents in communicating with the numerous government agency offices and gaining a clear understanding of the specific steps necessary to secure licenses or permits.

In 2015, the City signed the Small Business Administration's "Startup in a Day" pledge, which re-affirms the commitment of the Department of Business Affairs and Consumer Protection (BACP) to assist and support business operators in a simpler and streamlined manner. This builds upon numerous steps the city has taken in order to make it easier to understand these procedures and laws, including reducing the number of business licenses by 60% and launching the Small Business Center to offer a one-stop shop for business services. Currently, BACP is undertaking a massive paperless initiative, which will bring all business license applications online. Going paperless is the Mayor's commitment to making City Hall a partner for business operators, not a problem.

Technological advancements continue to make it easier for any entrepreneur to start a business, and Chicago must recognize and embrace these advancements within the city's processes, procedures, and regulatory environment. These initiatives target strategies for reducing red tape, and will help keep Chicago competitive with the business startup processes in other cities.

### **Index of Initiatives – Reducing Red Tape:**

1. Enhance the Small Business Center to become even more of a one-stop-shop for small businesses
2. Create transparent processes
3. Foster a culture that encourages small business success

#### **INITIATIVE #1: ENHANCE THE SMALL BUSINESS CENTER TO BECOME EVEN MORE OF A ONE-STOP-SHOP FOR SMALL BUSINESSES**

##### **Why do this?**

In 2013, the Small Business Center (SBC) was established, with the vision of being the one-stop-shop for small businesses. The Center is an important resource for business owners and entrepreneurs, offering one-on-one assistance as well as educational workshops and individual consultations with on-site partners, including Accion, SCORE, the Internal Revenue Service, and The Law Project. The City should continually evaluate the SBC and its potential to enhance services for small businesses.

##### **How?**

This can be done by connecting businesses with additional resources along with expanding the current functions at the SBC. Potential enhancements could include taking the current "concierge" services to another level by strengthening internal communication and collaboration among departments to facilitate clear links for small businesses to knowledgeable resources or partners. This is especially relevant for minimizing back-and-forth on projects that cross multiple departments. Additionally, expanding the Permit Intake Center, from an initial group of priority business-related permits, to encompass all permits from Business Affairs and Consumer Protection, Department of Building, Chicago Department on Transportation, Environment and the Fire Department will strengthen services for businesses across departments. The City can take advantage of going paperless to continue to streamline permit access across the board.

## INITIATIVE #2: CREATE TRANSPARENT PROCESSES

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### Why do this?

Despite constant attention to increasing ease of doing business with the City, the processes to obtain licenses and permits can be complicated, and businesses may not understand their status or where to go next. The City should shed a light on these processes through clear communications so both parties can complete necessary steps in a timely manner.

### How?

The City should focus on utilizing technology that provides insight into the licensing and permitting processes. This could include: receiving email notifications when a license is stuck in a process, being able to apply for all licenses online, improving difficult processes and creating more transparency around inspections.

## INITIATIVE #3: FOSTER A CULTURE THAT ENCOURAGES SMALL BUSINESS SUCCESS

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### Why do this?

The City has created a Small Business Center to partner with businesses as they startup and grow. The Center is known for being knowledgeable, resourceful, fair and efficient, and professional and courteous. These standards should apply across the City, while embracing a culture of working with businesses for their success.

### How?

Creating a culture of success for small businesses takes an investment from leadership across all City departments. Commissioners should foster a culture that says “we want you to be successful” to businesses, and engage with local partners to help businesses understand exactly to go to gain insight into city processes even when that is not core to the department’s role and function. The Restaurant Start-Up Program provides a great example of departmental collaboration to foster business success.





Small businesses face a number of challenges identifying and securing capital to help launch or grow their businesses. Knowing where to go, getting prepared, and understanding disparate lending criteria all pose issues that stifle businesses or push them toward riskier lending sources. In Chicago's lower income communities, businesses face additional challenges and are less likely to receive loans than their peers in higher income neighborhoods. A study released by the Woodstock Institute showed that over the five year period from 2008-2012 businesses in low-income neighborhoods may have missed out on 21,900 loans, totaling \$817 million.

To date, the City's efforts have focused on providing business owners with proper education for financing their businesses, enticing smaller financial institutions to make more loans, and cracking-down on predatory lending. The Small Business Solution Station at City Hall offers legal and financial advice for business owners to learn more about the procedure for obtaining out a loan. Additionally, the City lead a collaboration to launch Seed Chicago, a curated page and coaching program on the Kickstarter platform, and enticed smaller financial institutions to provide loans to businesses in underserved communities by providing \$2 million to help business access micro-loans. Since 2012, the micro-lenders have provided more than 200 loans to small businesses which have created or retained over 900 jobs in Chicago.

Providing better access to capital is necessary to support broad-based economic growth that will benefit neighborhoods across the city. These initiatives are recommended to both support small businesses across the city in targeting needed capital and to close the knowledge gap among financial firms regarding the credit worthiness of businesses that may be currently underserved.

### Index of Initiatives – Expanding Access to Capital:

4. Link small businesses to technical assistance
5. Encourage good practices in the lending space

#### INITIATIVE #4: LINK SMALL BUSINESSES TO TECHNICAL ASSISTANCE

##### Why do this?

Capital is available to businesses in Chicago, but businesses often have problems accessing credit because they are unprepared to apply for loans. Nearly 75% of the borrowers that seek capital through the City's Small Business Opportunity Centers (SBOCs) are unprepared to apply for a loan. Connecting businesses to existing services that focus on proper preparation is a key role that the City and its partners to can plan to support small businesses growth.

##### How?

The City should work to create strong partnerships between Chicago's banks and resources, such as SBOCs, that help businesses prepare to apply for a loan. In addition to preparation, the City and its partners should support the resources that help small businesses understand what skills they need when applying for loans, including understanding basic financial literacy (including personal finance), business start-up and loan package skills, and financial products knowledge. Initiatives such as SimpleGrowth, developed by World Business Chicago, will help Chicago's small businesses easily access lending partners and receive help and assistance along the way.

### INITIATIVE #5: ENCOURAGE GOOD PRACTICES IN THE LENDING SPACE

#### Why do this?

There is a prevalence of easily accessible loans with often undisclosed terms and high APRs. Businesses that sign up for these loans are taken advantage of, through buried terms and month-to-month interest calculations. Lenders like this exist in the City, and often target business owners who need cash quick to cover their expenses. The City should protect small businesses from bad lending practices and lenders who take advantage of them.

#### How?

The City should engage in a predatory lending awareness campaign, create an advocacy kit for small businesses, and promote education for small businesses, building off of the campaign targeting Merchant Cash Advance lenders on CTA last year. It should develop a formal process for referral to trusted Small Business Opportunity Centers and Small Business Development Centers with programs designed to help encourage educating businesses and promote good lending practices. In addition to advocacy and prevention, the City should encourage its partners to create new products and services to help small businesses that have already been targeted and hurt by bad lending practices.



New business models are rapidly appearing in industries ranging from food services to transportation. These new businesses need an easy route to operate legally and reduce hurdles that may threaten their success. Competition for attracting innovative businesses to major cities is highly competitive, and cities like San Francisco, Austin, and Philadelphia have already gone to great lengths to adapt their regulatory frameworks to make it easier for these businesses to operate.

Chicago has tried to restructure the regulatory framework of its business licenses to allow for nontraditional businesses to operate within the city. Most notably, the creation of the Emerging Business Permit (EBP) provides new business ideas that do not fit the traditional licensing framework the opportunity to operate and evolve over time with City support to determine appropriate regulations.

Additional efforts have been made to insure the city can provide the essential resources needed by innovative businesses. This includes not only the physical resources required (e.g. high-speed internet, affordable office space, etc.), but also human capital. To ensure an ample supply of qualified employees, City Colleges of Chicago created the College to Careers Program. The creation of the program has helped to make higher education opportunities attainable for all residents, focused curriculums to better prepare students for careers at innovative businesses, and included a \$524 million capital expenditure plan to enhance facilities in order to offer modern learning experiences.

Chicago has taken the right steps to insuring it remains competitive, but it is essential to continue looking for new ways to support the City's innovative businesses and entrepreneurs.

### Index of Initiatives – Promoting Innovation and Entrepreneurship:

6. Connect corporate partners to neighborhood small businesses
7. Better support the freelance and maker economies
8. Encourage youth entrepreneurship

#### INITIATIVE #6: CONNECT CORPORATE PARTNERS TO NEIGHBORHOOD SMALL BUSINESSES

##### Why do this?

Large companies see Chicago's unparalleled workforce and world-class transportation systems as a recipe for long-term success. In 2014 and 2015, Inc. Magazine ranked Chicago as second in the nation for number of fast growing small businesses. The City needs to engage with industry leaders and corporate partners to encourage large companies to work with Chicago's small businesses.

##### How?

The City should encourage partners, like World Business Chicago, to leverage corporate leaders to strengthen their industry through neighborhood partners. It could create a corporate challenge to publically encourage corporate partners to work with neighborhood small businesses on innovative/new ideas and expand successful programs like Chicago's Anchors for a Strong Economy (CASE) to more anchors and businesses. Businesses that participate in the CASE program see an increase in revenues of over \$800,000 on average.

### INITIATIVE #7: BETTER SUPPORT THE FREELANCE AND MAKER ECONOMIES

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#### Why do this?

There have been a wave new opportunities for companies to start-up and thrive under flexible business models (e.g. pop-up and mobile retail, freelance and contract production). E-commerce marketplaces, such as Etsy, allow maker entrepreneurs to make a living from their homes and social media allows new businesses greater access to increasingly connected consumers. The City should encourage new entrepreneurs to exist and ensure regulations reflect the changing nature of small business without imposing unnecessary barriers.

#### How?

The City should make it easier for businesses taking advantage of these new opportunities to launch and grow in Chicago by responding to emerging needs. The City can adopt an approach to partner with businesses in targeted areas to understand the regulatory challenges faced and design solutions as necessary. For example, the City could collaborate with neighborhood real estate partners in high vacancy areas to better understand pop-up business needs and ensure that City policies are tailored to support this new strategy for launching a business. In new maker-industries, new solutions may involve clarifying regulations on the home occupation license and encouraging maker-spaces through mentorship.

### INITIATIVE #8: ENCOURAGE YOUTH ENTREPRENEURSHIP

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#### Why do this?

Youth entrepreneurs are starting the next generation of Chicago's small businesses. In addition to existing programming targeting youth (workshops, expos, recruitment partnerships with CPS), the City should encourage direct collaborations between businesses and youth in order to foster innovation and entrepreneurship.

#### How?

The City should encourage partners to create mentorship programs which connect young entrepreneurs to established business owners. It should also take advantage of the wealth of strong universities in the city and connect those students with incubators, in order to help them grow their ideas.

Small businesses are difficult to operate, and entrepreneurs take on many different roles within their company. Sometimes entrepreneurs may have the proper experience to take on more than one role, but many lack the knowledge or access to resources in order to properly fill each roll required of them. BACP has looked to bridge this knowledge gap by offering a variety of workshops to better inform entrepreneurs in the areas of business they may not be well versed.

A main focus area has been to provide the proper resources to immigrant business owners. Immigrants are 50% more likely to open a small business, but many are intimidated by the daunting process to start one. To help immigrants better navigate this process, BACP launched the New Americans Business Expo. The Expo makes stops in neighborhoods across the city with large immigrant populations and offers entrepreneurs the opportunity interact with BACP staff to ask questions essential to their business. Bringing this resource directly to immigrant populations helps to insure the greatest utilization of the services and reduces the confusion of having to travel to another part of the city. Since the launch of the Expo in 2012, over 4,600 individuals have attended. BACP also provides workshops at City Hall covering a range of topics important to operating a business within Chicago, including: permitting and licensing, legal and insurance requirements, tax obligations, and advice for how to deal with lending organizations.

It is important for Chicago to continue to expand the resources available to business owners. Potential business owners that know a support network exists, are more likely to begin the process of starting a business because resources are available to them to succeed. Additionally, there is a need to create an environment where small businesses can more easily identify their peers. This can help businesses learn from each other and identify potential partners who can meet the needs of their business more easily.

### Index of Initiatives – Increasing Support Resources

9. Expand successful support resources
10. Connect neighborhood businesses to resources
11. Encourage small businesses to hire qualified workers from within their community

#### INITIATIVE #9: EXPAND SUCCESSFUL SUPPORT RESOURCES

##### Why do this?

The City provides outreach & education for entrepreneurs through workshops, tool-kits, and the Small Business Solution Station at City Hall. It also has created the Small Business Expo, which reached over 1,800 people in 2015. Great resources like this exist all over Chicago, not just at City Hall, and should be expanded to reach a broader audience.

##### How?

The City should expand the Small Business Expos in 2016 and dramatically increase the number of attendees from all corners of the city. It should also create more business startup materials focused on reaching innovative businesses and connecting them with the vast network of resources available.



### INITIATIVE #10: CONNECT NEIGHBORHOOD BUSINESSES TO RESOURCES

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#### Why do this?

Great resources and programs exist in the neighborhoods, and the City supports numerous impactful organizations there. Many businesses do not know neighborhood resources are available to them, and the City should work diligently to reach more people where they live and work. BACP and the Small Business Center have greatly improved connections between businesses and the resources available to them, and this work should continue to ensure resources are both responsive to business needs and proactive in building awareness.

#### How?

In order to reach people where they live and work, there should be a targeted outreach campaign to better reach businesses in the neighborhoods. The City should create a resource directory of Neighborhood Business Development and local university programs, and explore options for certifying NBDC staff that undergo extensive training at the Small Business Center.

### INITIATIVE #11: ENCOURAGE SMALL BUSINESSES TO HIRE QUALIFIED WORKERS FROM WITHIN THEIR COMMUNITY

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#### Why do this?

Businesses often struggle to find qualified individuals to hire, and when they promote from within, finding the right ways to train new managers for the job. Workforce partners have a group of individuals ready for jobs, or can train them to meet specific needs. The City should be connecting businesses and workforce partners to meet the needs of both, and should incentivize these hires.

#### How?

The City should encourage neighborhood-level focus among workforce partners on small business owners looking to hire qualified individuals. Partners should help small business owners train current staff for new roles. For example, connections can be built between businesses looking for specific expertise with City Colleges' College to Careers Program or "on the job training" offered by the Chicago Cook Workforce Partnership.



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